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DREADNOUGHT
INVESTMENTS
Limited

ANNUAL REPORT 1966



DREADNOUGHT INVESTMENTS LIMITED

(Incorporated under the laws of the Province of Ontario)

HEAD OFFICE: 570 Upper James Street, Hamilton, Ontario

OFFICERS

President: CECIL E. LESTER

Vice-President: STEPHEN M. FLETCHER

Vice-President: GRANT W. PHINNEY

Secretary-Treasurer: GLADYS M. MacBRIDE

Solicitor:

JAMES D. McKEON OF LISHMAN & McKEON

Auditor:

FENTON, SWING & SINNAMON, Chartered Accountants

Investment Consultants:

GRANT W. PHINNEY LIMITED

Bank:

ROYAL BANK OF CANADA

DIRECTORS

ALAN D. CLARK	DUNDAS
<i>Comptroller and Director, Adam Clark Company Limited</i>	
FRANK A. COOKE	HAMILTON
<i>Assistant General Manager, Hamilton Street Railway</i>	
STEPHEN M. FLETCHER	HAMILTON
<i>Assistant Manager, Central Ontario Branch, Canada Life Assurance Company</i>	
SAMUEL J. HAMILTON	GRIMSBY
<i>Buyer, International Harvester Company</i>	
CRAIG M. HARTLEY	HAMILTON
<i>Vice-President, Grant W. Phinney Limited</i>	
DAVID J. HOFFMAN	HAMILTON
<i>President, Hoffman Bros. Limited</i>	
CECIL E. LESTER	BURLINGTON
<i>Cashier, International Harvester Company</i>	
GLADYS M. MacBRIDE	HAMILTON
<i>Mortgage Manager, Grant W. Phinney Limited</i>	
JAMES D. McKEON	HAMILTON
<i>Partner, Lishman & McKeon</i>	
GRANT W. PHINNEY	BURLINGTON
<i>President, Grant W. Phinney Limited</i>	
JOHN J. WANLESS	HAMILTON
<i>Works Auditor, International Harvester Company</i>	



PRESIDENT'S REPORT

Your Company has continued to grow during the past year. We are all aware of the many problems that have confronted business in general and the financial community in particular. Your Directors are pleased that we have been able to continue to move forward despite these conditions.

A limited effort was made to sell new capital stock of the Company through the medium of newspaper advertising. There was a reasonable response and some stock was sold. Under the conditions that existed, the results were reasonably good.

However, it was felt that further efforts should be postponed until conditions are more favourable. A second prospectus has been approved and will be used in a renewed effort which we expect to make during the coming months.

An opportunity was given to the shareholders to redeem their preference shares and purchase treasury common shares. The response to this offer was gratifying. The percentage of paid up common shares has been greatly improved. This improvement is due both to the redemption of preferred shares and purchases made by new shareholders.

The Company's gross earnings were higher than that of the previous year. This trend should continue during the year ahead. Regular expenses have likewise increased and will likely be slightly higher during the coming year. Non-recurring expenses incurred by the initial issuing of the prospectus have all been paid. There will probably be some expenses that will occur from a sales program for selling additional capital stock. However, this expenditure is expected to be lower than in previous years.

The Company is presently operating mainly on its own capital funds. Any improvement in the existing financial climate should enable the Company to borrow additional capital which will have the immediate effect of increasing the earnings. The fact that during the past year the Company was able to increase its earnings while at the same time reduced its bank borrowing is a firm indication of the Company's solid operational policies.

The Company paid a three cent dividend on common stock during the past year. It is anticipated that the dividends will continue at this rate during the year ahead. Until such time as funds from outside sources become more available, substantial increases in dividends will not likely be made. One means of having more funds available for investment is to increase the

retained earnings and it is in the best interest of the shareholders that these retained earnings be steadily increased.

Included in this report are charts showing the Company's growth. One of these charts shows the break up value of the Company as related to the common stock. This value does not take into account the fact that the Company is a going concern. This asset, when added to the base break up value, indicates that the Company is making a substantial and steady progress.

The Company has put into effect a policy of increasing the percentage of liquid assets. In carrying out this policy, it has invested in public common stock. These investments have been made on the basis of a reasonable return together with an opportunity for growth.

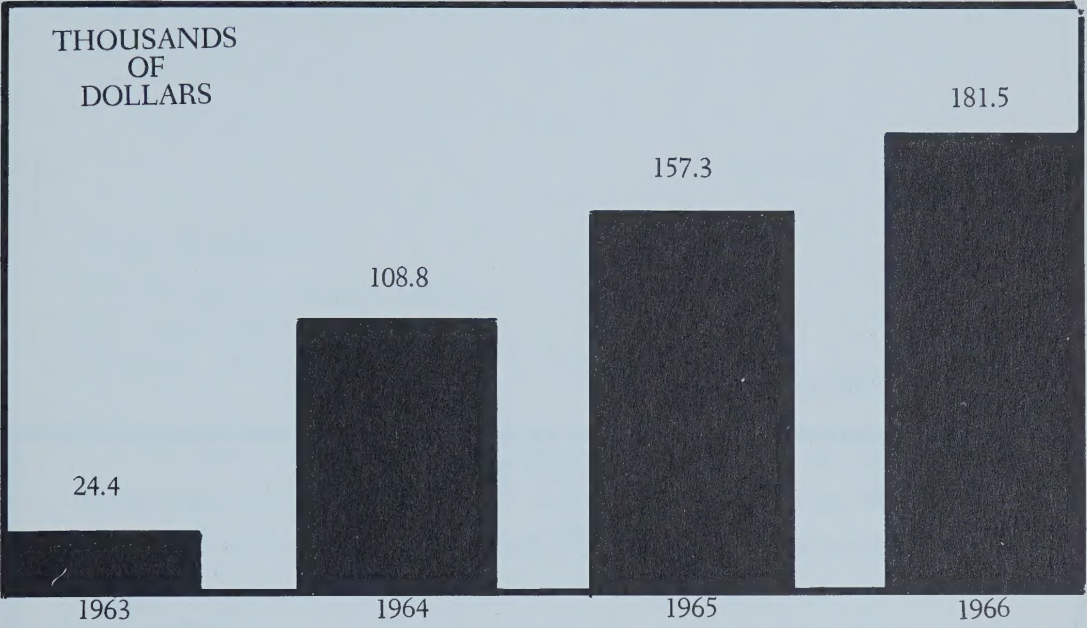
Our portfolio of mortgages has remained at approximately the same net amount throughout the year. Some mortgages have been paid up and the money received has been re-invested at somewhat higher rates. A large portion of our portfolio is now seasoned mortgages and the over all investment is considered to be well secured.

Your Directors are pleased with the progress made during the past year. When compared to other companies, the record is good. We have improved our position and are ready to immediately take advantage of any favourable change in the general economic situation.

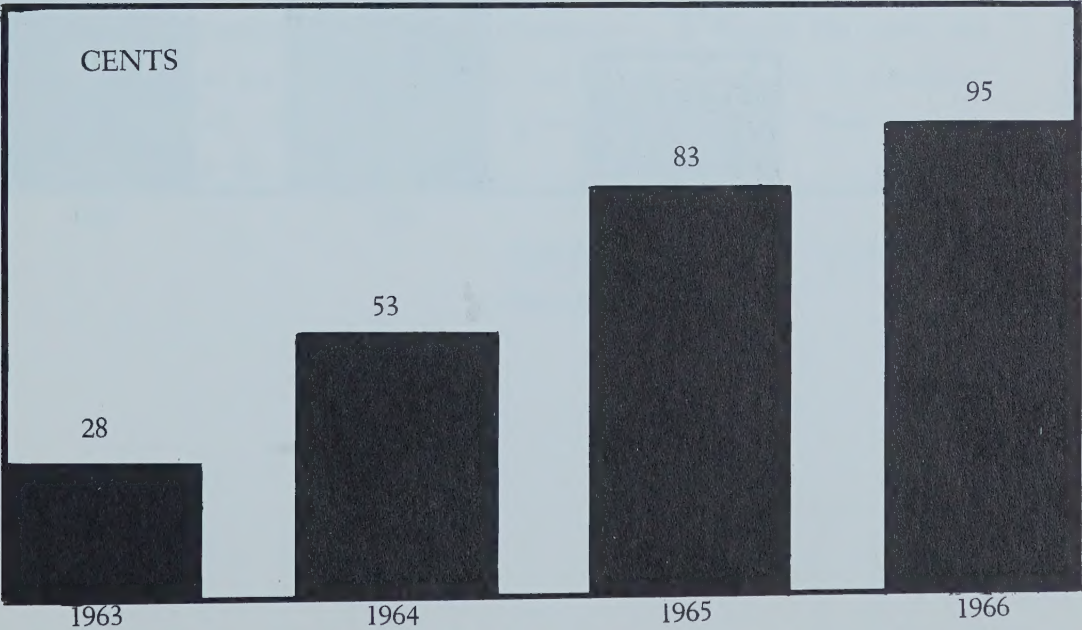
C. E. Lester,

President.

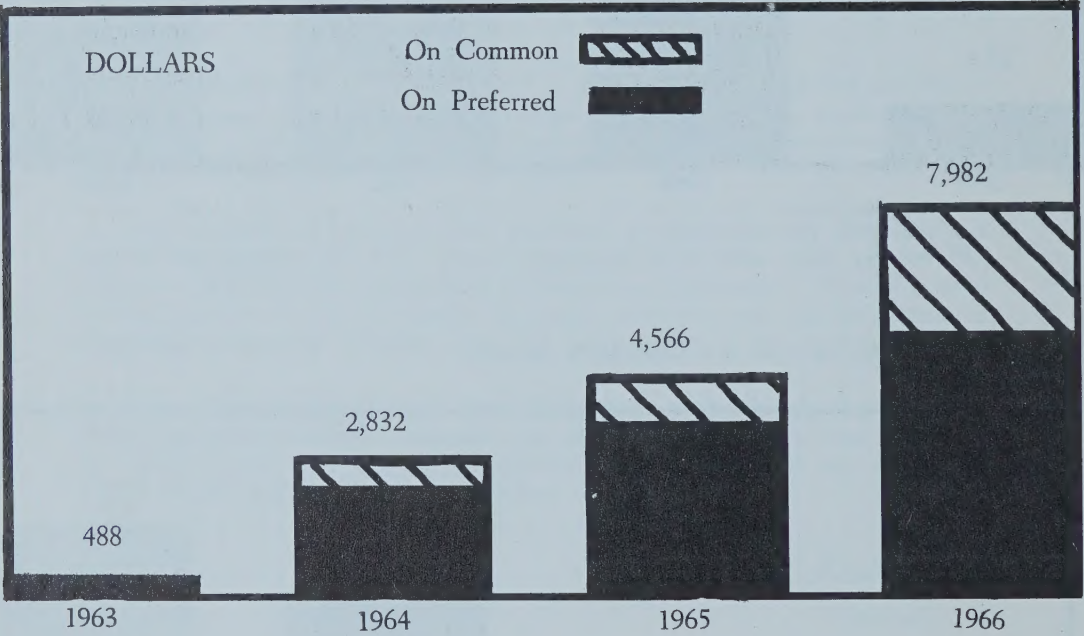
PAID UP CAPITAL



BREAK UP VALUE OF A COMMON SHARE



TOTAL DIVIDENDS PAID



September 23rd, 1966.

To the Shareholders,
Dreadnought Investments Limited,
570 Upper James Street,
Hamilton, Ontario.

We have examined the Consolidated Balance Sheet of Dreadnought Investments Limited and its wholly owned subsidiary, Montiga Investments Limited as at August 31st, 1966, and the Consolidated Statement of Profit and Loss for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and Consolidated Statement of Profit and Loss and accompanying notes present fairly the financial position of the Companies as at August 31st, 1966, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FENTON, SWING & SINNAMON,
Chartered Accountants.

DREADNOUGHT INVESTMENTS LIMITED

AND ITS SUBSIDIARY MONTIGA INVESTMENTS LIMITED

CONSOLIDATED BALANCE SHEET AS AT AUGUST 31st, 1966

ASSETS

	1965	1966
CURRENT ASSETS		
Cash in Bank Accounts	25	2,016
Marketable Securities at Cost—(Market \$10,808)	—	11,498
Amount of Investments due within one year—(net)	31,386	15,968
	<u>31,411</u>	<u>29,482</u>
INVESTMENTS		
Mortgages and Agreements Receivable	280,726	271,224
Less: Mortgages Payable on Properties under Agreements for Sale	43,634	35,188
Net Investments Receivable	237,092	236,036
Less: Amounts due within One Year	31,386	15,968
	<u>205,706</u>	<u>220,068</u>
Less: Provision for Loss	3,192	3,610
(Assigned as security for \$22,500 Bank Loan)	202,514	216,458
	<u>202,514</u>	<u>216,458</u>
FURNITURE AND EQUIPMENT—AT COST		
	428	571
Less: Accumulated Depreciation	86	183
	<u>342</u>	<u>388</u>
OTHER ASSETS		
Incorporation Costs	955	955
Mortgage Acquisition Costs Unamortized	2,124	2,165
	<u>3,079</u>	<u>3,120</u>
	<u>237,346</u>	<u>249,448</u>

Approved on behalf of the Board

G. M. MacBride

Director

C. E. Lester

Director

DREADNOUGHT INVESTMENTS LIMITED

AND ITS SUBSIDIARY MONTIGA INVESTMENTS LIMITED

CONSOLIDATED BALANCE SHEET AS AT AUGUST 31st, 1966

LIABILITIES AND SHAREHOLDERS' EQUITY

	1965	1966
CURRENT LIABILITIES		
Bank Loan—(Secured)	30,000	22,500
Accounts Payable and Accrued Expenses	2,134	1,438
Accrued Income Taxes on Earnings	3,215	296
Trust Deposits	180	—
	<u>35,529</u>	<u>24,234</u>
 DEFERRED INCOME		
Bonuses on Mortgages	<u>36,643</u>	<u>29,964</u>
 NOTE PAYABLE		
Due April 1st, 1969—7%	<u>5,000</u>	<u>5,000</u>
 SHAREHOLDERS' EQUITY		
Capital Stock—(See Note 1)—		
9,691—6% Cumulative Redeemable Preference Shares of \$100 Par Value Authorized of which 671 Shares are issued (1965—839 Shares)	83,900	67,100
1,200,000—Common Shares of No Par Value Authorized of which 126,512 Shares are Issued Fully Paid	42,494	110,539
(1965—58,373 Shares)		
123,106 Shares are issued partially paid	171,360	123,106
(1965—171,360 Shares)		
	<u>297,754</u>	<u>300,745</u>
Less: Amounts Unpaid—(See Note 2)	144,193	119,221
	<u>153,561</u>	<u>181,524</u>
Retained Earnings	6,613	8,726
	<u>160,174</u>	<u>190,250</u>
	<u>237,346</u>	<u>249,448</u>

DREADNOUGHT INVESTMENTS LIMITED
AND ITS SUBSIDIARY
MONTIGA INVESTMENTS LIMITED

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED AUGUST 31st, 1966

Retained Earnings—September 1st, 1965	6,614
Adjustment of Prior Year's Income Taxes	51
Net Profit for the Year Ended August 31st, 1966	10,043
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	16,708
Dividends Declared and Paid—	
on 6% Preferred Shares	5,276
on Common Shares	2,706
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	7,982
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Retained Earnings—August 31st, 1966	8,726
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DREADNOUGHT INVESTMENTS LIMITED
AND ITS SUBSIDIARY
MONTIGA INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Year Ended	
	August 31st 1965	August 31st 1966
REVENUES		
Interest on Mortgages and Agreements	20,903	23,209
Mortgage Bonuses Amortized	10,839	9,603
Interest and Dividends		216
	<u>31,742</u>	<u>33,028</u>
OPERATING EXPENSES		
Advertising and Office Expenses	1,337	2,293
Mortgage Management and Professional Fees	2,809	3,245
Interest on Notes and Mortgages	5,293	4,840
Office Rent and Salaries	950	2,967
Mortgage Acquisition Costs Amortized	531	674
Provision for Loss on Investments	1,404	1,356
Life Insurance on Officers	488	384
Depreciation of Equipment	86	97
	<u>12,898</u>	<u>15,856</u>
OPERATING PROFIT	18,844	17,172
Costs Incurred with respect to additional share issue	<u>2,048</u>	<u>4,048</u>
PROFIT BEFORE INCOME TAXES	16,796	13,124
Provision for Income Taxes	<u>3,975</u>	<u>3,081</u>
NET PROFIT	<u>12,821</u>	<u>10,043</u>

DREADNOUGHT INVESTMENTS LIMITED
AND ITS SUBSIDIARY
MONTIGA INVESTMENTS LIMITED

NOTES ACCOMPANYING 1966 FINANCIAL STATEMENTS

NOTE 1:

Capital Stock issued reflects the following changes during the year:

- (1) 309 Preference Shares were redeemed at par value.
- (2) 141 Preference Shares were issued for a cash consideration of \$14,100.
- (3) 19,885 Common Shares were issued for a cash consideration of \$19,791.25 (including option exercised—note 3).
- (4) 48,254 Partially paid Common Shares were fully paid up and now appear as fully paid shares.

NOTE 2:

Amounts unpaid on Common Shares include the following:

- (1) \$29,224.37 payable over a two year period ending August 31st, 1968 or upon call by the directors with respect to the issuance of 33,106 shares (\$3,881.63 paid to date).
- (2) \$89,997.00 payable over a three year period ending August 31st, 1969 or upon call by the directors with respect to the issuance of 90,000 common shares to the directors of the company.

NOTE 3:

Options have been granted to directors for a total of 6,000 Common Shares at \$1.00 per share to be exercised at any date up to and including August 31st, 1969. During the current fiscal year these options were exercised with respect to 1,000 shares (note 1).

